



# CURRENCY

## Committee on Financial Services

**Michael G. Oxley, Chairman**

For Immediate Release:

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## Terrorism Risk Protection Act Slated For House Vote

The Terrorism Risk Protection Act, introduced by House Financial Services Chairman Michael G. Oxley (OH) and Capital Markets Subcommittee Chairman Richard H. Baker (LA), is slated to be considered by the House of Representatives tomorrow, Nov. 29.

H.R. 3210 was approved by the House Financial Services Committee in a voice vote on Nov. 7. The bipartisan bill addresses the availability and affordability of terrorism insurance coverage in the wake of the Sept. 11 attacks while protecting taxpayers, policyholders and insurers.

In addition to an array of endorsements from a variety of consumer, taxpayer and industry groups, the *Houston Chronicle* voiced support for the House bill in the following editorial:

### HOUSTON CHRONICLE

*Nov. 27, 2001, 5:30PM*

#### **Terrorism Insurance:**

#### **An investment in economic health, not a bailout**

It's essential for America's economic health that Congress enact a terrorism insurance bill within the next few weeks. Without a properly designed government safety net, one written to last only temporarily, insurance companies will be unable to insure properties against future terrorist attacks,

and without such insurance, banks will be unlikely to make loans on such properties.

The fact is that the Sept. 11 terrorist attacks knocked the insurance industry against the ropes. It might not be able to survive without temporary government help. And without insurance in America, buildings don't get built and goods don't get delivered. Basically, business doesn't get done. The case cannot be overstated.

The attacks on the World Trade Center and the Pentagon will cost the insurance industry between \$45 billion and \$70 billion in claims, according to most experts, claims the insurance companies can manage to swallow because they had themselves bought insurance from reinsurance companies to cover such huge losses.

But with more terrorist attacks in the United States a real possibility, reinsurance companies, the insurers of insurance companies, are unlikely to include terrorism coverage on policies they renew beginning Jan. 1.

So, what is needed is a backup plan in which the federal government -- the taxpayers -- would cover losses over a certain amount due to terrorism. The plan should be similar to the safety net the Federal Deposit Insurance Corp. provides banks.

A proposed House bill would have insurance companies pay claims up to \$1 billion. Claims above that would be paid by the government, up to \$100 billion. The government -- taxpayers, that is -- eventually would get its money back from the insurance companies through surcharges on the premiums of commercial policies and other means. In the final analysis, at least in theory, the insurance companies would not keep a penny of taxpayers' subsidies.

Plans similar to this could work, but must be written in ways to make them only temporary, perhaps for several years, until the insurance industry can build a private financial backup system and can better understand the risks.

Important within this legislation is the necessity to limit or deny punitive damages, the favored spigot of plaintiff lawyers, in cases of terrorism.

Taxpayers' dollars shouldn't go into the pockets of plaintiff lawyers. Why punish the American taxpayer when insured airliners or buildings are attacked?

Unfortunately, Senate Majority Leader Tom Daschle, D-S.D., sat on a bipartisan Senate compromise that limited punitive damages. The reason

was purely partisan. The American Trial Lawyers Association is even more influential with the Democratic Party than the bosses of organized labor, and the trial lawyers don't intend to stand for any legislation placing limitations on liability, including a cap on punitive damages.

Backing up the insurance industry is as important to America's economy as giving the airlines an economic boost.

It's time to forget partisan politics and punitive damages assessed against insured businesses in this situation. Saving the insurance industry will mean saving the U.S. economy.

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